

LRBP ISSUES

LRBP FUNDING INADEQUACY (F-7)

- LRBP is the vehicle for major repairs and maintenance on state owned buildings
- Not all state owned buildings, but LRBP eligible
- Problem for many years
 - Only thought to be funded at approximately 20% the recommended level
 - Results are a \$200M deferred maintenance backlog
- Primarily funded with cigarette tax
- Funds are decreasing
- Needs and costs are increasing
 - Square footage continues to grow
 - Inflation has pushed up the cost of the maintenance and repairs
- Last biennium LEG recommended a study by the interim LFC
 - LFC formed a subcommittee
 - Subcommittee developed what is now SB 79
 - Product of the work of the LFC, A&E, LFD, OBPP staff
- SB 79 funds eligible LRBP buildings
 - Becomes effective in the next biennium
 - Creating a major maintenance charge
 - Rate charged to agencies
 - Based on square footage of occupancy
 - Also based on type of building
 - Paid with general fund through rates in general appropriation act
 - The charge will increase as square footage increases and with inflationary increases
 - LRBP no longer stuck in situation with dwindling funding
- OBPP brought different recommendation to LEG
 - Parts of the OBPP funding concept were folded into SB 79
 - Also folded in is the recommended \$7.15 million/year
 - Now bill works as funding for the present and the future
- If SB 79 is the LEG and OBPP attempt to solve the funding inadequacy

INVALID APPROPRIATION (F-8)

- Discussed earlier in the session
 - 7.15 M per year
 - Meant to be ongoing
 - Part of OBPP plan to increase funding to LRBP on an ongoing basis
- GF transfers should not be included in the general appropriations act
- Transfer (DP) was not approved for HB 2
- At recommendation of OBPP and Sen. Laible transfer is now in SB 79 as OTO
 - OBPP and LEG worked together to develop a plan for funding LRBP
 - Other aspects of the OBPP plan were combined with SB79 plan
 - David Ewer spoke as a proponent to SB 79 – good budgeting
- Actions
 - To insure funds make it into the LRBP budget, may wish to include in HB 5 with contingency language

TRANSFER CONTINGENCY (F-9)

- This same issue applies to HB 14, the LRBCIT bill

- The appropriation of OTO general fund in 2009 is contingent upon a projected ending fund balance of \$100M in the GF (after the OTO transfers).
 - For the LRBP
 - For the FWP Access Montana
 - The legislature may wish to consider being a more intragral part of this process
 - Recommend amending the language to have your staff, the LFD, estimate the fund balance, and clearly state the timing of the calculation

2 NEGATIVE ENDING FUND BALANCE

LRBP account (F-7)

- (\$541,564) EFB
- Caused by differences in the revenue estimates of OBPP and Legislature
- Possible actions
 - Reduce or eliminate project appropriations
 - Increase GF OTO to provide a positive

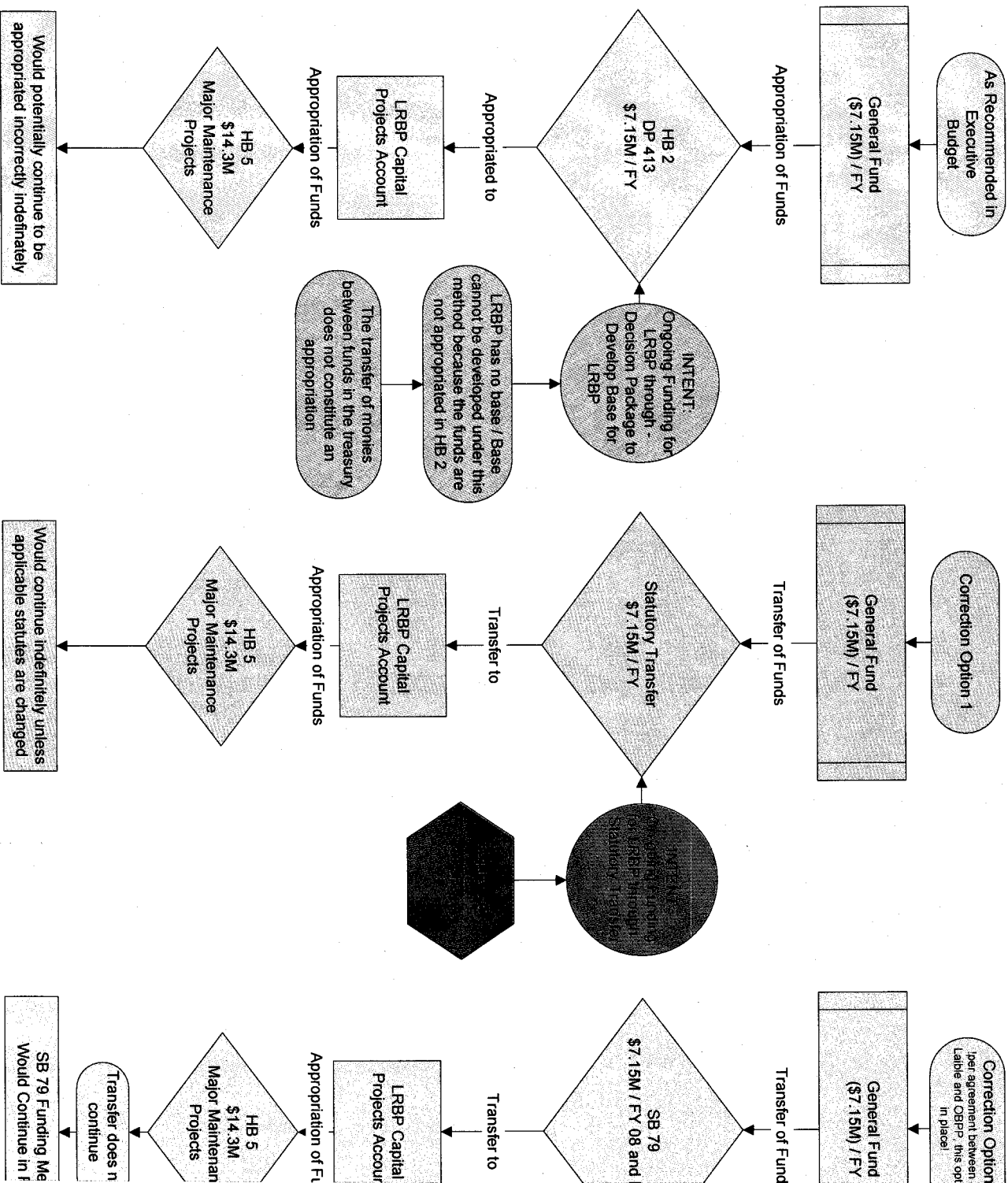
Capital Land Grant Account (F-8)

- \$4M Appropriation
- (\$1.2M) EFB
- Possible actions
 - Reduce or eliminate the appropriation
 - Amend the language of HB 5 to make the appropriation contingent on available funds in a certain time frame

PROJECT COMMENTS

- Enterprise System Services Centers
 - \$20.15M GF OTO
 - Uses GF OTO cash instead of bond proceeds
- MT Historic Society Buildings, V&N Cities
 - \$3M LRBP/GF OTO?
 - Policy change
- FWP, Parks Program
 - \$500K LRBP/GF OTO?
 - Bannic Deferred Maintenance
 - Policy change
- FWP, Access MT
 - \$15M GF OTO
 - Ongoing costs
- STEP Prg Renovations
 - \$5.8M GF OTO
 - Not required if program not approved
- Highway 93
 - \$26M SSRev
 - Not a building maintenance project
- Gaines Hall Renovation
 - \$28.5 GF OTO
 - Substantial reduction of deferred maintenance backlog

LRBP Fund Transfer Issue and Options



HB 5 TRANSFER CONTINGENCY

(also applies to the transfers in HB 14)

Page 6, line 6.

Section 3. Fund transfers.

(1) Subject to subsection (3), there is transferred from the state general fund \$50.375 million in fiscal year 2008 and \$50.375 million in fiscal year 2009 to the long-range building program account in the capital projects fund type for the projects enumerated in [section 2].

(2) Subject to subsection (3), there is transferred from the state general fund \$7.5 million in fiscal year 2008 and \$7.5 million in fiscal year 2009 to the fish, wildlife, and parks capital projects account in the capital projects fund type for the projects enumerated in [section 5].

(3) In order to maintain an adequate ending fund balance, if at any time during the 2009 biennium, the office of budget and program planning projects a 2009 biennium unreserved ending general fund balance of less than \$100 million, the office of budget and program planning may direct the department of administration to reduce the fund transfers in subsections (1) and (2). The department of administration shall transfer the funds on a schedule approved by the office of budget and program planning that enables the statewide management goals for cash flow and for fund balance. If the projected unreserved general fund ending fund balance increases at a later point in the biennium, the fund transfers may be increased back up to the original authorized level. The office of budget and program planning may not direct fund transfers to be reduced below the level of encumbrance obligations made against the appropriation at the time of the reduction.

*Legislative Fiscal Division Recommendation for consideration of LRP subcommittee:

(3) In order to maintain an adequate ending fund balance, if **at any time during the 2009 biennium** (ending fund balance estimates are VERY dynamic, the Legislature may wish to require the calculations at specific intervals in the biennium), **the office of budget and program planning** projects (Legislature may wish to have their staff calculate the ending fund balance rather than the executive's office) a 2009 biennium unreserved ending general fund balance of less than \$100 million, the office of budget and program planning may direct the department of administration **to reduce the fund transfers** (the Legislature may wish to require reports in the event that reductions are necessary and play a role in the reduction of the transfers) in subsections (1) and (2). The department of administration shall transfer the funds on a schedule approved by the office of budget and program planning that enables the statewide management goals for cash flow and for fund balance. If the projected unreserved general fund ending fund balance increases at a later point in the biennium, the fund transfers may be increased back up to the original authorized level. The office of budget and program planning may not direct fund transfers to be reduced below the level of encumbrance obligations made against the appropriation at the time of the reduction.

APPROPRIATION OF FUNDS FOR MAINTENANCE AT VIRGINIA AND NEVADA CITIES

Change in policy:

HB 5 includes a recommendation for an appropriation for \$3.0 million of LRBP funds directly to the Department of Commerce for maintenance of buildings at Virginia and Nevada Cities. Use of these LRBP funds for maintenance at the cities will represent a change in policy by the 60th Legislature.

History:

In the 2005 session, the cities sought funds for new bathrooms through the Renewable Resource Grants program. The Renewable Resource grant program could not recommend the project for funding. The LRP subcommittee investigated other ways to fund the project outside of the RRGL grant program. On recommendation of the LRP subcommittee, 59th Legislature did appropriate \$99,450 in HB 5, to the division of A&E, for the construction of new bathroom facilities at the cities. This action also constituted a change in policy.

22-3-1003. POWERS OF COMMISSION -- CONTRACTS -- RULES.

(3) (a) Subject to subsection (3)(b), the commission, as part of a contract, shall require that a portion of any profit be reinvested in the property and that a portion be used to pay the administrative costs of the property and the commission.

(b) (i) Until the balance in the cultural and aesthetic trust reaches \$7,750,000, the commission shall deposit the portion of profits not used for administrative costs and restoration of the properties in the cultural and aesthetic trust.

(ii) Once the balance in the cultural and aesthetic trust reaches \$7,750,000, the commission shall deposit the portion of profits not used for administrative costs and restoration of the properties in the general fund.

(c) It is the intent of the 58th legislature that no general fund money be provided for the operations and maintenance of Virginia City and Nevada City beyond what has been appropriated by the 55th legislature.

Legislative Budget Analysis, 2009 Biennium, Vol.5

Section C. Page C-7.

Governor's Proposal to expand Parks and Fishing Access Sites

The Governor proposes in HB 2 to expand the number of FTE and corresponding resources to manage the maintenance and operations of current parks and fishing access sites. As the inventory of land rises or the utilization of parks and fishing access sites increase, the cost to maintain and operate the land also rises.

*The Governor would provide FWP with \$15.0 million in general fund authority to purchase land for additional state parks and fishing access sites. The request will be considered by the Long Range Planning sub-committee through HB 5. If approved, the \$15.0 million will be provided to FWP as capital authority. Capital authority is an on-going appropriation available until expended or reverted. As land is purchased, development will occur and as the parks are rolled out to the public, operations and maintenance will be needed. The development, operations, and maintenance costs have not been considered as part of the proposal.

The proposal does not affect the operations budget of FWP at this time, and without an overall plan from the department the ability to predict when those costs will occur is difficult. The legislature may wish to:

- Communicate concerns regarding this proposal to the Long Range Planning sub-committee and request the committee set aside a portion of the \$15.0 million for development costs or future operations and maintenance costs.
- Request from the department an implementation plan including goals and measurable objectives, including future maintenance costs
- Make no changes

**The Legislative Fiscal Division (LFD) has raised a concern for this use of one-time only general fund dollars. The LFD believes there will be on-going costs associated with the use of \$15 million in the Access Montana project. The Long-Range Planning subcommittee should take the on-going costs into account while considering this project.

The flowchart details the process for the \$7.15M / FY LRBP funding transfer, starting from the General Fund and moving through various decision points and legislative actions.

Initial State: General Fund (\$7.15M) / FY

Correction Option 1: Transfer of Funds to LRBP Capital Projects Account. If the transfer is not approved, it leads to a decision on whether to continue indefinitely or change applicable statutes.

Correction Option 2: Transfer of Funds to LRBP Capital Projects Account. If the transfer is not approved, it leads to a decision on whether to continue indefinitely or change applicable statutes.

Correction Option 3: Transfer of Funds to LRBP Capital Projects Account. If the transfer is not approved, it leads to a decision on whether to continue indefinitely or change applicable statutes.

Final Outcome: The funding is transferred to the LRBP Capital Projects Account, and the program continues indefinitely.

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